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C O N F I D E N T I A L SECTION 01 OF 02 MAPUTO 000771

SIPDIS

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TAGS: [ELAB](#) [EINV](#) [EAGR](#) [EMIN](#) [EPET](#) [ECON](#) [ETRD](#) [EAID](#) [PGOV](#)
PREL, AMGT, MZ
SUBJECT: U.S. COMPANIES STILL FACE WORK PERMIT CHALLENGES

REF: A. MAPUTO 626
[B](#). MAPUTO 610
[C](#). MAPUTO 493

Classified By: Pol/Econ Chief Matthew Roth, Reasons 1.4(b+d)

[1](#)1. (C) Summary: Labor issues continue to frustrate foreign investors in Mozambique. Anadarko, a Texas-based oil company and largest U.S. investor in Mozambique, and Chiquita Brands International recently reiterated to Econoffs that the erratic enforcement of the new labor law (reftels) is an impediment to their investments in the country. Despite assurances to the contrary, Anadarko is still struggling to attain the necessary work permits to bring in their much needed technical experts to perform oil exploration. Chiquita's in-country partner Matanuska recently received a USD 200,000 fine, and had its expat staff threatened with passport seizure. The Embassy's upcoming U.S. Investment and Trade Conference in Maputo July 15-16, for which President Guebuza is scheduled to give the opening address, will offer another opportunity for senior GRM leaders to hear directly from existing and prospective investors about the difficulties encountered with the existing labor law. End Summary.

Chiquita

[1](#)2. (C) In late May, labor inspectors imposed USD 200,000 in fines against Chiquita's Zimbabwean partner Matanuska in Mozambique, only days after the President of Mozambique, Armando Guebuza, visited its facilities outside of Nampula, Mozambique. The labor inspectors claimed that Matanuska was in violation of a number of provisions of Mozambique's new labor law. In addition, the labor inspectors attempted to seize the passports of the six expatriates who were on a visit to Matanuska's facility. Chiquita refused to hand over the passports of the expatriates. The labor inspectors took no further action to seize the documents. On June 4, Matanuska met with the Minister of Labor Maria Helena Taipo who informed them that while the inspectors were within their rights according to the updated labor law to inspect Matanuska, she believed that the fine was not justified. However, Taipo informed Matanuska she was not prepared to intervene with the labor inspectors in Nampula. Taipo said Matanuska had to go through the judicial process on a provincial level to appeal the USD 200,000 fine. Chiquita's country director informed Econoff on July 8 that the USD 200,000 fine is still pending against Matanuska.

Anadarko

13. (C) Anadarko executives informed Econoff on June 30 that the company continues to struggle with getting its technical experts work permits to perform essential functions for its oil exploration in the country, despite having unlimited access to foreign labor under its "mega-project" agreement with the GRM. The executives indicated that the Ministry of Labor and the Ministry of Mineral Resources asked their respective permanent secretaries to fast-track special regulations for the oil and gas industry, given the extensive exploratory drilling expected to begin in the Rovuma Basin in late-2009 or early-2010. Anadarko commented that Minister Taipo has assured them that she is working to get approximately 140 expatriate workers into the country in the next three months, although no visas have yet been issued. Anadarko remains hopeful that the work permits will be granted, but is frustrated with how time-consuming and difficult the process has been, and is increasingly concerned that the work permits will not be issued before the October 28 national elections, though the company had hoped to start sooner.

COMMENT: Elections Hinder Quick Solutions

14. (C) The Embassy continues to press the GRM at the highest levels to illustrate how Mozambique's labor regulations are impeding U.S. assistance and private sector efforts to bolster economic growth. In a recent meeting with the Charge, Prime Minister Luisa Diogo showed concern and awareness of the problems that the new labor law was

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creating, but said the GRM had not yet found a satisfactory solution. Other Ministers assure us that action will be taken, but probably only after the elections. The Embassy's upcoming U.S. Investment and Trade Conference in Maputo July 15-16, for which President Guebuza is scheduled to give the opening address, will offer another opportunity for senior GRM leaders to hear directly from existing and prospective investors about the difficulties encountered with the existing labor law.

CHAPMAN